



DRAFT BUDGET

2017/18- 2019/20

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GLOSSARY OF TERMS AND ACRONYMS

Acronym

Budget Steering Committee : A strategic planning forum aimed at identifying key spending priorities for the municipality

Budget related policies : Policies of a municipality that affect or are affected by the budget.

CAPEX: Capital expenditure, spending on municipal assets such as land, buildings, roads, etc.

CPIX: Consumer price index excluding interest on mortgages

CPI: Consumer price index

GAAP: Generally Accepted Accounting Practice

COGTA: Cooperative Governance and Traditional Affairs

GRAP: Generally Recognised Accounting Practice

FBS: Free basic services

IDP: Integrated Development Plan, a strategic document detailing the municipality's medium term plan for development.

IGR: Intergovernmental relations

ICT: Information and communication technology

LED: Local economic development

MFMA: Municipal Financial Management Framework, Act 56 of 2003, legislation providing a framework for financial management in local government.

MIG: Municipal Infrastructure Grant

MSA: Municipal Systems Act, Act 32 of 2000.

MTB: Medium Term Budget, a three year financial plan of a municipality.

MTBPS: Medium Term Budget Policy Statement

NT: National Treasury of South Africa

OPEX: Operating expenditure, spending on the day to day operational activities such as salaries and wages, repairs and maintenance, general expenses.

SALGA: South African Local Government Association

SDBIP: Service Delivery and Budget Implementation Plan, a detailed plan containing quarterly performance targets and monthly budget estimates.

LIST OF VOTES

- ✚ Mayoral Executive
- ✚ Council General
- ✚ Office of the Municipal Manager
- ✚ Budget and Treasury
- ✚ Corporate Services
- ✚ Licensing and Traffic
- ✚ Local Economic Development and Planning
- ✚ Sports and Culture
- ✚ Public Works
- ✚ Cemeteries
- ✚ Community hall and centres
- ✚ Parks and Recreation
- ✚ Library
- ✚ Town Hall and Offices
- ✚ Housing
- ✚ Sanitation
- ✚ Refuse Removal
- ✚ Electricity
- ✚ Water
- ✚ PMU – Project Management Unit

PURPOSE

The main strategic outcomes of the budget are to ensure:

- ✚ Modernizing financial management and improving accountability.
- ✚ Compilation of three year budgets.
- ✚ Deepening and improving the budget preparation process, by involving the political leadership and community.
- ✚ Ensuring that the IDP and Budget are linked, and that the IDP takes account of budgetary resources, and contain proper capital and operational plans.
- ✚ Improving the in-year implementation of the budget.
- ✚ Improving the audit and performance reporting after the financial year has ended.

The purpose of this document is to submit draft 2017/18 medium-term budget (MTB) for consideration by Council and community consultation of on the proposed tariff increases, projects and service delivery programmes.

The budget was compiled within the framework of the MFMA, Circulars No 85 & 86 the National Treasury and the Municipal Budget Regulations.

Those Circulars provides instructions, guidance and information on crucial issues that municipalities need to consider when preparing their 2017-18 budgets.

PART 1



CHAPTER1: EXECUTIVE SUMMARY

CHAPTER1: EXECUTIVE SUMMARY

The Budget Committee was confronted with numerous challenges during the budget process. The following had an impact:

- The negative effect of the declining economic growth;
- The addressing of service delivery shortcomings as identified in the adjustments budget in February 2016 and its effect on the available funding;
- The continued funding constraints with regards to the low available funding for the Capital Budget through the Capital Replacement Reserve;
- Nersa's directive that bulk purchases will increase by 2.2% for municipalities and municipal electricity tariff increase should not exceed 0.31%.

The 2016/17 adjustments budget in February 2017 again proved that the ability of Council to reduce costs is limited due to the fact that the fixed cost component of the operating budget exceeds the variable costs by far. The adjustments budget nonetheless defined the basis for the draft 2017/18 budget.

A continued strategy was followed as outlined within this Council's long term financial plan with the compilation of this budget, whereby the following was done:

- The municipality needs to focus on its core functions. During the February 2016 adjustments budget the Budget Committee, Portfolio Councillors in conjunction with the Heads of Departments, scrutinised the budget to affect all possible savings;
- The need to maximise income through efficiencies and the way we do business was investigated before we decided to increase our rates, service charges and other tariffs;
- A revenue enhancement project was implemented to ensure that all consumers are billed correctly and are contributing to the municipality's income as set out in our tariff policy;
- A provision of R6 million was made for debtor's impairment in the operating budget. The writing off of irrecoverable debt will continue to be scrutinized through the business processes of the internal credit control unit, which unit is managed by an internal credit control committee to ensure that proper credit control measures are performed and to recommend the writing off of debt to council;
- A provision for a contribution of R5 million to the capital replacement reserve (CRR) in the operating budget has been made in order to grow our reserve;
- The capital contributions policy was reviewed to ensure that the municipality receives fair compensation from bulk capacity sold to developers. The budget committee emphasized the principle that developers need to "payup-front" before any infrastructure development is carried out by Council ;
- A greater emphasis will be placed on improving our cash management practices, within the legal prescripts, to improve our liquidity position. A policy was introduced and came in effect from 1 July 2017.
- The Budget Committee has re-emphasised its wish that the capital budget, as with the previous budget, also be a maintenance budget which will be limited to the available cash funds at our disposal without seeking external loan funding as also guided by the updated long term financial plan;
- All attempts need to be made to maximise available National and Provincial Government Grants to service part of our capital program;

- A land audit will be undertaken to identify specific strategic land which may be sold/Leased to effect growth in Kgetlengrivier and to build the CRR.

MFMA Circulars

National Treasury sent out MFMA Circular No. 85 on 9 December 2016 providing guidance to municipalities on their 2016/17 budgets and Medium Term Revenue and Expenditure Framework (MTREF). Circular 85 was followed up by Circular no. 86 dated 8 March 2017. Circular No. 85 & 86 reminds us of the key focus areas for the 2016/17 budget process, and that it must be read together with MFMA Circulars no. 48, 51, 54, 55, 58, 59, 66, 67, 70, 72, 74, 75, 82, 85 and 86. It is essential reading material in order to understand the background to this budget.

National Treasury has also set out the requirements for funding the budget and producing a credible budget.

Funding the Budget

Section 18(1) of the MFMA states that an annual budget may only be funded from:

- Realistically anticipated revenues to be collected;
- Cash backed accumulated funds from previous years' surpluses not committed for other purposes; and
- Borrowed funds, but only for the capital budget referred to in section 17.

Achievement of this requirement in totality effectively means that a Council has 'balanced' its budget by ensuring that budgeted outflows will be offset by a combination of planned inflows.

Under old budget formats a 'balanced' income generated approach was a key objective and this assisted in ensuring that outflows were matched by inflows, provided revenue collections were realistic. However, GRAP compliant budgets necessitate that budget 'balancing' be much more comprehensive.

New budgeting and accounting formats demand that the budgeted Statement of Financial Performance (Income Statement), the Budgeted Statement of Financial Position (Balance Sheet) and the Budgeted Statement of Cash Flows must be considered simultaneously to ensure effective financial management and sustainability and to ensure that the budget is funded.

A Credible Budget

Amongst other things, a credible budget is a budget that:

- Funds only activities consistent with the revised IDP and vice versa ensuring the IDP is realistically achievable given the financial constraints of the municipality;
- Is achievable in terms of agreed service delivery and performance targets;
- Contains revenue and expenditure projections that are consistent with current and past performance and supported by documented evidence of future assumptions;

- Does not jeopardise the financial viability of the municipality (ensures that the financial position is maintained within generally accepted prudential limits and that obligations can be met in the short, medium and long term); and
- Provides managers with appropriate levels of delegation sufficient to meet their financial management responsibilities.

Budgeted Expenditure versus Depreciation

The depreciation budget for the MTREF, calculated on the existing assets, is R32.8 million for 2017/18, R33.2 million and R33.7 million respectively for the two outer years.

Depreciation is calculated by using the straight line method over the life-span of the asset. The assets in the asset register are funded from different funding sources and the depreciation of these assets is also treated differently.

Kgetlengrivier Local Municipality has used the “cost model” to implement GRAP 17.

As example a filtration plant was constructed with funds from the emergency drought relief grant. A capital asset of ± R95 million was created with an estimated life span of 20 years. The impact on the depreciation budget was an additional depreciation to the amount of R4.75 million per year.

It is impossible to give this burden through to the inhabitants of Kgetlengrivier. To soften the impact of this depreciation a “claw back” of depreciation is done during the budget process as part of the tariff setting. This might inevitably leads to a budgeted deficit on the Budgeted Statement of Financial Performance.

CHAPTER 2: THE BUDGET

THE BUDGET

This section provides an overview of the Kgetlengrivier Local Municipality's 2017/18 to 2019/19 MTREF. It includes an assessment of how the budget links with the national and provincial government contexts along with a review of the fiscal position of Kgetlengrivier Local Municipality.

The Municipality's budget must be seen within the context of the policies and financial priorities of national, provincial and district government. In essence, the spheres of Government are partners in meeting the service delivery challenges faced in Kgetleng. Kgetlengrivier Municipality alone cannot meet these challenges. It requires support from the other spheres of Government through the direct allocation of resources as well as the achievement of their own policies.

According to Circular No. 86, the following headline inflation forecasts underpin the national 2017 Budget:

Fiscal Year	2016/17 Estimate	2017/18	2018/19	2019/20
		Forecast		
Consumer Price Inflation (CPI)	6.4%	6.4%	5.7%	5.6%
Real GDP Growth	0.5%	1.3%	2.0%	2.2%

Source: 2017 Budget Review

The growth parameters apply to tariff increases for property rates, user and other charges raised by municipality, to ensure that all spheres of government support the national macroeconomic policies, unless it can be shown that external factors impact otherwise.

The budget process in Kgetlengrivier followed the requirements of the MFMA. A Table of key deadlines was tabled in Council by the Mayor in August 2016.

A Budget Committee was established to examine, review and prioritise budget proposals from departments.

Over the 3 year period, the Municipality is planning to spend R146 million on capital investment for the infrastructure needs of the municipality. In 2017/18 the capital budget is R43 million. Operating expenditure in 2017/18 is budgeted at R188,1 million and the operating revenue is budgeted at R196.3 million.

The MFMA requires municipalities to set out measurable performance objectives when tabling their budgets. These "key deliverables" link the financial inputs of the budget to service delivery on the ground.

As a further enhancement to this, quarterly service targets and monthly financial targets are contained in the Draft Service Delivery and Budget Implementation Plan (SDBIP). This must be approved by the Mayor within 28 days after the approval of the final budget and forms the basis for the Municipality's in year monitoring.

In view of the aforementioned, the following table is a consolidated overview of the proposed MTREF:

Table 1 Consolidated Overview of the 2017/18 MTREF

	Original Budget (‘000)	Adjusted Budget (‘000)	Budget 2017/18 (‘000)	Budget 2018/19 (‘000)	Budget 2019/20 (‘000)
Total Operating Revenue	163,590	179,271	196,382	212,443	236,890
Total Operating Expenditure	158,059	188,634	(190,588)	(203,639)	(211,941)
Surplus/(Deficit) for the year	5,530	(9,363)	8,301	15,165	31,023
Total Capital Expenditure	34,769	34,769	43,276	48,000	55,000

Operating Revenue Framework

For Kgetlengrivier Local Municipality to continue maintaining / improving the quality of services provided to its citizens it needs to generate the required revenue. The municipality’s revenue strategy is built around the following key components:

- National Treasury’s guidelines, Circular No. 85 & 86;
- The municipality’s Property Rates Policy;
- The municipality’s Credit Control and Indigent Policy and rendering of free basic services;
- Tariff policy and structure;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA).
- Revenue enhancement plan.

The following table is a summary of the 2016/17 MTREF (classified by main revenue source):

Table 2 – Summary of revenue classified by main revenue sources

Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue By Source										
Property rates	4,831	7,592	7,608	7,146	7,146	7,146	7,146	8,667	9,161	9,674
Service charges - electricity revenue	25,989	27,258	29,415	41,656	41,103	41,103	41,103	42,845	44,999	57,260
Service charges - water revenue	5,983	6,363	5,484	9,099	9,099	9,099	9,099	9,681	10,233	10,806
Service charges - sanitation revenue	3,001	3,205	3,360	4,105	4,105	4,105	4,105	6,172	6,524	6,889
Service charges - refuse revenue	1,601	1,711	1,821	2,051	2,051	2,051	2,051	3,987	4,215	4,451
Service charges - other	–	–	–	–	–	–	–	–	–	–
Rental of facilities and equipment	65	72	78	140	116	116	116	149	157	166
Interest earned - external investments	453	346	294	628	628	628	628	669	707	746

Interest earned - outstanding debtors	6,508	9,023	11,783	3,927	8,927	8,927	8,927	7,178	7,587	8,012
Dividends received	-	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	808	331	24,622	3,393	7,973	7,973	7,973	24,250	25,633	27,068
Licences and permits	3,926	4,747	5,192	11,649	14,181	14,181	14,181	8,784	9,285	9,805
Agency services	-	-	-	-	-	-	-	-	-	-
Transfers and subsidies	71,667	64,154	70,563	69,241	71,541	71,541	71,541	74,586	81,401	88,722
Other revenue	4,801	1,123	868	5,762	7,610	7,610	7,610	9,413	12,541	13,290
Gains on disposal of PPE	-	-	-	4,792	4,792	4,792	4,792	-	-	-
Total Revenue (excluding capital transfers and contributions)	129,633	125,926	161,088	163,590	179,272	179,271	179,271	196,382	212,443	236,890

Revenue generated from property rates and service charges forms a significant percentage of the revenue source of the municipality. The above table takes into account revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality and also capital transfers and contributions.

The operating revenue increased from R179.2million to R196.3million. The increase in revenue is mainly due to:

- An increase in Fines due to the implementation of IGRAP 1 that had an impact on the calculation for the proposed Fines income.
- An increase in Transfers Recognised – Operational is mainly due to an increase and decrease in the following grants:
 - ✓ The Equitable Share allocation has increased (R63 m – 2016/17 to R70.8m – 2017/18).

The following table provides a breakdown of the various grants allocated to Kgetlengrivier Municipality over the medium term:

Table 3 – Grants Allocation

Local government allocations 2017/18 – 2019/20			
	Medium Term Estimates		
	2016/17 R'000	2017/18 R'000	2018/19 R'000
National Grants	120,825	136,557	160,578
Equitable share	70,879	81,401	88,722
Infrastructure (MIG)	26,239	27,556	28,946
Financial Management (FMG)	2,345	2,600	2,860
Expanded Public Works Programme Incentive Grant (EPWP)	1,362	-	-
Electrification Programme (INEP)	-	-	10,000
Water Services infrastructure	20,000	25,000	30,000
Provincial Grants	1,300	-	-
Library Services	1,300	-	-
Total Allocations	122,125	136,557	160,578

SERVICE CHARGES AND MISCELLANEOUS TARIFFS:

The following tariff increases are proposed:

- | | |
|-------------------------|---------|
| ▪ Electricity | : 1.88% |
| ▪ Water | : 6.4% |
| ▪ Rates | : 6.4% |
| ▪ Refuse | : 6.4% |
| ▪ Sewerage | : 6.4% |
| ▪ Other (miscellaneous) | : 6.4% |

TARIFF CHANGES SUGGESTED FOR 2017/18

Rates Tariffs

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

An increase of 6.4% in rates income will be raised for 2017/18.

(Refer: Tariff List)

Water Tariffs

South Africa faces similar challenges with regard to water supply as it did with electricity, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

During the tariff modelling exercise it was acknowledge that the basic charge for water does not cover the basic cost for the water service and that the structure needs to be changed and remodelled in future budgets.

A tariff increase of 6.4% from 1 July 2017 for water is proposed. In addition 6kl water per 30-day period will be granted free of charge to all households. Kgetlengrivier Municipality is reassessing the basic charge for water service to ensure that it is cost reflective of the fixed costs components needed to deliver water to the consumers.

(Refer: Tariff List)

Electricity Tariffs

The proposed municipal electrical tariff increase is 1.88% whereas the prescribed tariff according to NERSA's guideline is 1.88%. According to NERSA certain of the municipality's electricity tariffs are too high and thus the reason why the increase is below the prescribed increase.

(Refer: Tariff List)

Indigent households will receive 70kWh electricity free at the beginning of each month.

Sanitation tariffs

A tariff increase of 6.4% for sanitation from 1 July 2017 is proposed.

(Refer: Tariff List)

Waste Removal tariff

A 6.4% increase in the waste removal tariff is proposed from 1 July 2017.

The cost of establishing of a composting plant, the closure of the dumping site, the increase in cost of depositing household waste at the new proposed regional landfill site, the establishing of a landfill site, are putting a tremendous pressure on the financial viability of the waste removal service, hence the 6.4% increase in tariff. Urgent strategic decisions are needed in this regard.

Overall impact of tariff increases on households

The following table shows the overall expected impact of tariff increases on a large and small household, as well as an indigent household receiving free basic services.

It needs to be noted that the majority of indigent households in Kgetlengrivier are situated in the affordable house areas. The valuation of these houses is below R150 000 and due to rebates do not pay property rates.

Indigent households receive a discount on their services equal to the basic charge for water plus 6kl water free, 70kwh electricity units, the monthly levy for refuse and sanitation.

Refer: MBRR Table SA 14 – Household bills

Operating Expenditure Framework

The expenditure framework for the 2017/18 budget and MTREF is informed by the guidelines of National Treasury.

The following table is a summary of the 2017/18 MTREF (classified by main expenditure types):

Table – Summary of operating expenditure by type

Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<u>Expenditure By Type</u>										
Employee related costs	38,498	38,450	41,641	43,322	43,349	43,349	43,349	46,527	49,733	52,941
Remuneration of cllrs	4,161	5,906	5,517	4,810	4,810	4,810	4,810	5,167	5,530	5,899
Debt impairment	13,092	18,638	26,542	5,540	5,540	5,540	5,540	5,895	6,231	6,580
Depreciation & ass impa	29,740	47,148	38,910	23,348	23,348	23,348	23,348	28,842	33,258	33,729
Finance charges	2,265	4,861	4,561	500	500	500	500	532	562	594
Bulk purchases	22,564	28,427	29,909	26,524	26,524	26,524	26,524	27,154	27,792	28,446
Other materials	7,394	–	–	54	54	54	54	671	709	748
Contracted services	–	7,837	7,543	6,768	9,268	9,268	9,268	5,265	5,565	5,877
Transfers and subsidies	–	–	–	25,856	25,856	25,856	25,856	–	–	–
Other expenditure	75,670	46,295	60,861	21,337	49,384	49,384	49,384	70,535	74,259	77,127
Loss on disposal of PPE										
Total Expenditure	193,385	197,563	215,484	158,059	188,634	188,634	188,634	190,588	203,639	211,941

The operating expenditure increases from R188.6 million (2016/17) to R188 million in 2017/18. The increase can be attributed to increases and decreases on several expenditure components.

Reasons for significant cost variances:

- Employee Related Costs
 - ✓ An increase of 7.4% was provided for salaries and wages.
- Remuneration of Councillors – An increase of 7% was provided as well as provision for 3 additional Councillors.
- Debt impairment – The calculation is based on the 2015/16 collection ratios and also the current economic climate in the Kgetlengrivier and the implementation of iGRAP1 (accounting for the impairment of traffic fines).
- Bulk purchases – The increase is based on the tariff for bulk purchases as set out by NERSA.
- Contracted Services – The budget for contracted services has increased due to the operational expenditure on Traffic.

Table – Repairs and maintenance per asset class

Description	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Repairs and maintenance expenditure by Asset Class/Sub-class									
Infrastructure									
<i>Roads</i>	7,394	100	169	2,381		2,381	831	878	928
<i>Electricity</i>							2,307	2,439	2,575
<i>Water</i>							5,738	6,236	5,754
<i>Sanitation</i>							7,074	7,478	7,896
<i>Other</i>							318	336	355
<i>Other assets</i>							527	557	588
<i>Community asset</i>							638	675	713
Total Repairs and Maintenance Expenditure	7,394	5,240	14,673	9,555	-	9,555	17,434	18,599	18,808

Capital Budget

The capital budget increased from R34.7 million (2016/17) to R43.2 million in 2017/18.

The Budget Committee went through several stages of prioritising the capital budget to contain the budget within the available funding.

This capital budget has been compiled with due consideration to the direct impact that it would have on the operating budget and our cash position where projects are to be funded from either internal sources or from external borrowings.

The capital budget reflects the following budget allocation to the various Departments and reflects the strategic priorities outlined in the IDP:

Table 16 – Capital budget by department

Vote Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Capital expenditure - Vote										
Multi-year expenditure, to be appropriated										
Vote 1 - Governance and Administration	-	-	-	-	-	-	-	-	-	-
Vote 2 - Corporate Services	209	-	-	-	-	-	-	-	-	-
Vote 3 - Finance and Administration	-	-	-	-	-	-	-	-	-	-
Vote 4 - Public Safety	-	-	-	-	-	-	-	-	-	-
Vote 5 - Planning and Economic Development			-	-		-	-	-		

	-	-			-				-	-
Vote 6 - Community and Social Services	-	-	-	-	-	-	-	-	-	-
Vote 7 - Sports and Recreation	-	-	-	-	-	-	-	-	-	-
Vote 8 - Housing	-	-	-	-	-	-	-	-	-	-
Vote 9 - Environmental Management	-	-	-	-	-	-	-	-	-	-
Vote 10 - Roads and Transport	-	-	-	-	-	-	-	-	-	-
Vote 11 - Electricity	-	-	-	-	-	-	-	-	-	-
Vote 12 - Waste Water Management(Sanitation)	-	-	-	-	-	-	-	-	-	-
Vote 13 - Water	-	-	-	-	-	-	-	-	-	-
Vote 14 - Solid Waste Management(Refuse)	-	-	-	-	-	-	-	-	-	-
0	-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	209	-	-	-	-	-	-	-	-	-
<u>Single-year expenditure to be appropriated</u>										
Vote 1 - Governance and Administration	-	-	-	-	-	-	-	-	-	-
Vote 2 - Corporate Services	-	-	-	3,500	3,500	3,500	3,500	-	-	-
Vote 3 - Finance and Administration	-	-	-	-	-	-	-	-	-	-
Vote 4 - Public Safety	-	-	-	-	-	-	-	-	-	-
Vote 5 - Planning and Economic Development	-	-	-	-	-	-	-	-	-	-
Vote 6 - Community and Social Services	22,311	2,460	1,825	-	-	-	-	-	-	-
Vote 7 - Sports and Recreation	-	-	-	-	-	-	-	7,500	10,000	11,000
Vote 8 - Housing	-	-	-	-	-	-	-	-	-	-
Vote 9 - Environmental Management	-	-	-	-	-	-	-	-	-	-
Vote 10 - Roads and Transport	41,356	35,631	48,677	17,969	17,969	17,969	17,969	5,926	13,000	14,000
Vote 11 - Electricity	-	-	-	3,800	3,800	3,800	3,800	-	-	-
Vote 12 - Waste Water Management(Sanitation)	-	-	-	-	-	-	-	-	-	30,000
Vote 13 - Water	-	-	-	9,500	9,500	9,500	9,500	29,850	25,000	-
Vote 14 - Solid Waste Management(Refuse)	-	-	-	-	-	-	-	-	-	-
0	-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total	63,666	38,090	50,503	34,769	34,769	34,769	34,769	43,276	48,000	55,000
Total Capital Expenditure - Vote	63,876	38,090	50,503	34,769	34,769	34,769	34,769	43,276	48,000	55,000

<u>Funded by:</u>										
National Government	63,666	35,631	48,677	31,269	31,269	31,269	31,269	43,276	48,000	55,000
Provincial Government										
Transfers recognised - capital	63,666	35,631	48,677	31,269	31,269	31,269	31,269	43,276	48,000	55,000
Public contributions & donations										
Borrowing										
Internally generated funds	209	2,460	1,825	3,500	3,500	3,500	3,500			
Total Capital Funding	63,876	38,090	50,503	34,769	34,769	34,769	34,769	43,276	48,000	55,000

Internal Funding

One of the main challenges impacting on the capital budget is the expected contributions to the Capital Replacement Reserve (CRR) for the current year. This situation also emphasises the need to expand our current additional income base (sources) and exploring other income sources. The Budget Committee re-affirmed the need for revenue enhancement measures in order to broaden the income base.

No contribution made to the CRR in the 2016/17 Adjustments Budget from the working capital in February 2017.

Council has introduced a specific line item in the 2017/18 budget to specifically budget for a contribution to the CRR. No CRR budget for the current year. The total amount budgeted for a contribution to the CRR is R5 million in the 2017/18 financial year.

The budget committee went through a process of tariff modelling and realised that additional income had to be generated over and above the annual increase in tariffs to fund its asset renewal programme. The master plans for the core services indicate that urgent upgrading and renewal need to be done to the infrastructure.

Given the current economic climate and the impact that an increase, much higher than the CPI, will have on the consumers it was decided to not opt for an additional increase in service charges to fund the CRR.

Although the budgeted income and expenditure are realistically anticipated, the situation regarding the available internal funds will be monitored closely and expenditure on capital projects linked to the CRR will be managed according to the available cash. To facilitate this process the Budget Committee has prioritized the draft Capital Budget and capped the projects funded from the CRR.

Council has budgeted for a contribution of R5million to the CCR in 2017/18. An assessment of the reserves will be done after the 2016/17 year-end process has been concluded. A further contribution to the CRR will then be made if necessary.

External Financing Funding

The Budget Committee has reconfirmed its commitment not to rely on external funding to fund the capital budget except for the financing of short term vehicle financing.

A number of crucial issues impacting on the fleet needs to be resolved before a final decision can be made regarding further purchasing of vehicles. The requests for replacements have been included in the 2017/18 budget year.

Major upgrading of infrastructure has been requested by the technical departments

Additional income will need to be generated to fund the capital charges. This will result in double digit increases to be implemented on service tariffs.

These projects have been included in the outer years of the capital budget resulting in a huge spike in the budget amount for capital.

The following table provides a breakdown of the budgeted capital expenditure by classification:

Table 19 – Capital expenditure by GFS classification

<u>Capital Expenditure - Functional</u>										
<i>Governance and administration</i>	209	-	-	3,500	3,500	3,500	3,500	-	-	-
Executive and council				3,500	3,500	3,500	3,500			
Finance and administration	209									
Internal audit										
<i>Community and public safety</i>	22,311	-	-	-	-	-	-	7,500	10,000	11,000
Community and social services	22,311									
Sport and recreation								7,500	10,000	11,000
Public safety										
Housing										
Health										
<i>Economic and environmental services</i>	41,356	35,631	48,677	17,969	17,969	17,969	17,969	5,926	13,000	14,000
Planning and development										
Road transport	41,356	35,631	48,677	17,969	17,969	17,969	17,969	5,926	13,000	14,000
Environmental protection										
<i>Trading services</i>	-	-	-	13,300	13,300	13,300	13,300	29,850	25,000	30,000
Energy sources				3,800	3,800	3,800	3,800			
Water management				9,500	9,500	9,500	9,500	29,850	25,000	
Waste water management										30,000
Waste management										
<i>Other</i>		2,460	1,825							
Total Capital Expenditure - Functional	63,876	38,090	50,503	34,769	34,769	34,769	34,769	43,276	48,000	55,000

Budget Schedules

The Municipal Budget and Reporting Regulations are designed to achieve a range of objectives, including improving the local government sphere’s ability to deliver basic services by facilitating improved financial sustainability and better medium term planning and policy choices on service delivery.

Narrative will only be provided at certain tables to clarify certain aspects otherwise it will be a repetition of what has already been documented.

NW374 Kgetlengrivier - Table A1 Budget Summary

Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<u>Financial Performance</u>										
Property rates	4,831	7,592	7,608	7,146	7,146	7,146	7,146	7,603	8,037	8,487
Service charges	36,574	38,537	40,080	56,911	56,358	56,358	56,357	59,075	61,898	65,105
Investment revenue	453	346	294	628	628	628	628	669	707	746
Transfers recognised - operational	71,667	64,154	70,563	69,241	71,541	71,541	71,541	74,586	81,401	88,722
Other own revenue	16,108	15,297	42,544	29,663	43,598	43,598	43,598	54,449	60,401	63,830
Total Revenue (excluding capital transfers and contributions)	129,633	125,926	161,088	163,590	179,272	179,272	179,271	196,383	212,443	226,890
Employee costs	38,498	38,450	41,641	43,322	43,349	43,349	43,349	46,527	49,733	52,941
Remuneration of councillors	4,161	5,906	5,517	4,810	4,810	4,810	4,810	5,167	5,530	5,899
Depreciation & asset impairment	29,740	47,148	38,910	23,348	23,348	23,348	23,348	28,842	33,258	33,729
Finance charges	2,265	4,861	4,561	500	500	500	500	532	562	594
Materials and bulk purchases	29,958	28,427	29,909	26,578	26,578	26,578	26,578	27,824	28,501	29,194
Transfers and grants	-	-	-	25,856	25,856	25,856	25,856	-	-	-
Other expenditure	88,762	72,769	94,946	33,645	64,192	64,192	64,192	81,694	86,055	89,583
Total Expenditure	193,385	197,563	215,484	158,059	188,634	188,634	188,634	190,588	203,639	211,941
Surplus/(Deficit)	(63,751)	(71,636)	(54,396)	5,530	(9,362)	(9,362)	(9,363)	5,795	8,804	14,949
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	25,178	22,715	20,318	-	-	-	-	-	-	-
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	(38,574)	(48,921)	(34,078)	5,530	(9,362)	(9,362)	(9,363)	5,795	8,804	14,949
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	(38,574)	(48,921)	(34,078)	5,530	(9,362)	(9,362)	(9,363)	5,795	8,804	14,949
<u>Capital expenditure & funds sources</u>										
Capital expenditure	63,876	38,090	50,503	34,769	34,769	34,769	34,769	43,276	48,000	55,000
Transfers recognised - capital	63,666	35,631	48,677	31,269	31,269	31,269	31,269	43,276	48,000	55,000
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	209	2,460	1,825	3,500	3,500	3,500	3,500	-	-	-
Total sources of capital funds	63,876	38,090	50,503	34,769	34,769	34,769	34,769	43,276	48,000	55,000
<u>Financial position</u>										
Total current assets	70,933	86,340	98,639	139,923	-	139,923	139,923	-	-	-
Total non current assets	469,609	617,824	601,465	382,087	-	382,087	382,087	-	-	-
Total current liabilities	86,885	117,964	146,944	60,625	-	60,625	60,625	-	-	-
Total non current liabilities	15,002	15,354	16,356	16,500	-	16,500	16,500	-	-	-

Community wealth/Equity	438,655	570,845	536,804	444,885	-	444,885	444,885	-	-	-
<u>Cash flows</u>										
Net cash from (used) operating	64,431	37,116	24,604	30,220	-	30,220	30,220	43,053	55,268	85,485
Net cash from (used) investing	(63,876)	(36,573)	(26,091)	(29,977)	-	(29,977)	(29,977)	(42,029)	(52,556)	(58,946)
Net cash from (used) financing	(6,295)	-	3,062	2,470	-	2,470	2,470	-	-	-
Cash/cash equivalents at the year end	1,370	1,913	3,487	7,940	-	2,713	2,713	4,511	7,223	33,762
<u>Cash backing/surplus reconciliation</u>										
Cash and investments available	1,370	1,913	3,487	11,700	-	11,700	11,700	-	-	-
Application of cash and investments	50,472	75,365	107,602	(183)	-	7,660	7,660	-	-	-
Balance - surplus (shortfall)	(49,102)	(73,452)	(104,115)	11,883	-	4,040	4,040	-	-	-
<u>Asset management</u>										
Asset register summary (WDV)	469,588	455,216	-	364,678	-	-	-	-	-	-
Depreciation	29,599	47,148	38,910	23,348	-	-	-	-	-	-
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	7,394	5,240	14,673	9,555	-	9,555	-	-	-	-
<u>Free services</u>										
Cost of Free Basic Services provided	-	-	-	5,764	5,764	5,764	6,133	6,133	6,482	6,845
Revenue cost of free services provided	-	-	-	580	-	-	700	700	750	800
<u>Households below minimum service level</u>										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

Functional Classification Description	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue - Functional									
<i>Governance and administration</i>	75,363	104,954	111,434	85,527	91,256	91,256	97,747	109,922	118,895
Executive and council	46,029	86,869	90,881	62,494	62,494	62,494	70,879	81,401	88,722
Finance and administration	29,334	18,084	20,553	23,033	28,762	28,762	26,868	28,521	30,173
Internal audit	-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>	572	72	78	1,825	3,137	3,137	1,603	255	269
Community and social services	572	72	78	1,825	3,137	3,137	1,600	252	266
Sport and recreation	-	-	-	-	-	-	3	3	3
Public safety	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>	30,912	5,078	29,814	12,933	22,128	22,128	34,346	36,295	38,320
Planning and development	1,000	-	-	139	121	121	1,312	1,378	1,447
Road transport	29,912	5,078	29,814	12,795	22,008	22,008	33,034	34,917	36,873
Environmental protection	-	-	-	-	-	-	-	-	-
<i>Trading services</i>	47,963	38,537	40,080	63,304	62,750	62,750	62,686	65,971	79,406
Energy sources	25,989	27,258	29,415	41,656	41,103	41,103	42,845	44,999	57,260
Water management	17,372	6,363	5,484	12,099	12,099	12,099	9,681	10,233	10,806
Waste water management	3,001	3,205	3,360	5,801	5,801	5,801	6,172	6,524	6,889
Waste management	1,601	1,711	1,821	3,748	3,748	3,748	3,987	4,215	4,451
<i>Other</i>	-	-	-	-	-	-	-	-	-
Total Revenue - Functional	154,811	148,641	181,406	163,590	179,271	179,271	196,382	212,443	236,890
Expenditure - Functional									
<i>Governance and administration</i>	170,821	120,310	134,581	69,292	75,992	75,992	68,992	73,225	77,560
Executive and council	71,486	44,356	47,158	31,835	30,773	30,773	32,647	34,668	36,740
Finance and administration	99,334	75,953	87,422	37,457	45,219	45,219	36,345	38,557	40,820
Internal audit	-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>	-	-	-	16,554	28,982	28,982	26,689	27,958	29,213
Community and social services	-	-	-	10,113	19,941	19,941	10,710	11,202	11,701
Sport and recreation	-	-	-	-	-	-	2,179	2,328	2,448
Public safety	-	-	-	6,441	9,041	9,041	13,800	14,428	15,065
Housing	-	-	-	-	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>	-	-	-	14,812	13,258	13,258	15,803	17,199	17,642
Planning and development	-	-	-	1,236	1,236	1,236	6,063	6,201	6,341
Road transport	-	-	-	13,577	12,022	12,022	9,739	10,998	11,301
Environmental protection	-	-	-	-	-	-	-	-	-
<i>Trading services</i>	22,564	28,427	29,909	57,402	70,402	70,402	79,103	85,258	87,526
Energy sources	20,406	27,623	28,380	31,608	31,287	31,287	40,320	43,258	44,223
Water management	2,158	805	1,529	10,482	12,382	12,382	20,949	23,065	23,216
Waste water management	-	-	-	11,782	23,159	23,159	14,058	14,915	15,792
Waste management	-	-	-	3,529	3,574	3,574	3,777	4,020	4,295
<i>Other</i>	-	48,825	50,995	-	-	-	-	-	-
Total Expenditure - Functional	193,385	197,563	215,484	158,059	188,634	188,634	190,588	203,639	211,941
Surplus/(Deficit) for the year	(38,574)	(48,921)	(34,078)	5,530	(9,363)	(9,363)	5,795	8,803	24,949

Vote Description	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue by Vote									
Vote 1 - Governance and Administration	46,026	86,869	90,881	62,494	62,494	62,494	70,879	81,401	88,722
Vote 2 - Corporate Services	7,944	1,123	868	4,792	4,505	4,505	–	–	–
Vote 3 - Finance and Administration	16,992	16,961	19,685	18,242	24,257	24,257	26,868	28,521	30,173
Vote 4 - Public Safety	6,942	5,078	29,814	11,649	18,761	18,761	33,048	34,932	36,888
Vote 5 - Planning and Economic Development	–	–	–	–	–	–	–	–	–
Vote 6 - Community and Social Services	1,572	72	78	1,825	3,137	3,137	1,587	238	251
Vote 7 - Sports and Recreation	–	–	–	–	–	–	3	3	3
Vote 8 - Housing	–	–	–	138	120	120	–	–	–
Vote 9 - Environmental Management	–	–	–	–	–	–	–	–	–
Vote 10 - Roads and Transport	22,658	–	–	1,146	3,247	3,247	1,312	1,378	1,447
Vote 11 - Electricity	25,989	27,258	29,415	41,656	41,103	41,103	42,845	44,999	47,260
Vote 12 - Waste Water Management(Sanitation)	3,001	3,205	3,360	5,801	5,801	5,801	6,172	6,524	6,889
Vote 13 - Water	17,372	6,363	5,484	12,099	12,099	12,099	9,681	10,233	10,806
Vote 14 - Solid Waste Management(Refuse) 0	1,601	1,711	1,821	3,748	3,748	3,748	3,987	4,215	4,451
	–	–	–	–	–	–	–	–	–
Total Revenue by Vote	150,098	148,641	181,406	163,590	179,271	179,271	196,382	212,443	226,890
Expenditure by Vote to be appropriated									
Vote 1 - Governance and Administration	43,058	44,356	47,158	31,835	30,773	30,773	32,647	34,668	36,740
Vote 2 - Corporate Services	70,335	54,492	68,819	19,554	20,767	20,767	16,446	17,441	18,462
Vote 3 - Finance and Administration	31,399	70,286	69,598	17,903	24,453	24,453	19,899	21,116	22,358
Vote 4 - Public Safety	–	–	–	6,441	9,041	9,041	13,800	14,428	15,065
Vote 5 - Planning and Economic Development	–	–	–	687	687	687	4,734	4,779	4,826
Vote 6 - Community and Social Services	–	–	–	7,108	7,076	7,076	10,710	11,202	11,701
Vote 7 - Sports and Recreation	–	–	–	2,927	2,962	2,962	2,179	2,328	2,448
Vote 8 - Housing	–	–	–	288	–	–	–	–	–
Vote 9 - Environmental Management	–	–	–	–	–	–	–	–	–
Vote 10 - Roads and Transport	–	–	–	17,625	16,071	16,071	11,069	12,419	12,816
Vote 11 - Electricity	20,406	27,623	28,380	31,608	31,287	31,287	40,320	43,258	44,223
Vote 12 - Waste Water Management(Sanitation)	–	–	–	8,072	19,449	19,449	14,058	14,915	15,792
Vote 13 - Water	2,158	805	1,529	10,482	22,495	22,495	20,949	23,065	23,216
Vote 14 - Solid Waste Management(Refuse) 0	–	–	–	3,529	3,574	3,574	3,777	4,020	4,295
	–	–	–	–	–	–	–	–	–
Total Expenditure by Vote	167,355	197,563	215,484	158,059	188,634	188,634	190,588	203,639	211,941
Surplus/(Deficit) for the year	(17,257)	(48,921)	(34,078)	5,530	(9,363)	(9,363)	5,795	8,803	14,949

Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Revenue By Source										
Property rates	4,831	7,592	7,608	7,146	7,146	7,146	7,146	7,603	8,037	8,487
Service charges - electricity revenue	25,989	27,258	29,415	41,656	41,103	41,103	41,103	42,845	44,742	46,989
Service charges - water revenue	5,983	6,363	5,484	9,099	9,099	9,099	9,099	9,681	10,233	10,806
Service charges - sanitation revenue	3,001	3,205	3,360	4,105	4,105	4,105	4,105	4,367	4,616	4,875
Service charges - refuse revenue	1,601	1,711	1,821	2,051	2,051	2,051	2,051	2,182	2,306	2,435
Service charges - other	-			-	-	-	-			
Rental of facilities and equipment	65	72	78	140	116	116	116	149	157	166
Interest earned - external investments	453	346	294	628	628	628	628	669	707	746
Interest earned - outstanding debtors	6,508	9,023	11,783	3,927	8,927	8,927	8,927	7,178	7,587	8,012
Dividends received	-			-	-	-	-			
Fines, penalties and forfeits	808	331	24,622	3,393	7,973	7,973	7,973	24,250	25,633	27,068
Licences and permits	3,926	4,747	5,192	11,649	14,181	14,181	14,181	8,784	9,285	9,805
Agency services	-			-	-	-	-			
Transfers and subsidies	71,667	64,154	70,563	69,241	71,541	71,541	71,541	74,586	81,401	88,722
Other revenue	4,801	1,123	868	5,762	7,610	7,610	7,610	9,413	12,541	13,290
Gains on disposal of PPE				4,792	4,792	4,792	4,792	4,675	5,198	5,489
Total Revenue (excluding capital transfers and contributions)	129,633	125,926	161,088	163,590	179,272	179,272	179,271	196,383	212,443	226,890
Expenditure By Type										
Employee related costs	38,498	38,450	41,641	43,322	43,349	43,349	43,349	46,527	49,733	52,941
Remuneration of councillors	4,161	5,906	5,517	4,810	4,810	4,810	4,810	5,167	5,530	5,899
Debt impairment	13,092	18,638	26,542	5,540	5,540	5,540	5,540	5,895	6,231	6,580
Depreciation & asset impairment	29,740	47,148	38,910	23,348	23,348	23,348	23,348	28,842	33,258	33,729
Finance charges	2,265	4,861	4,561	500	500	500	500	532	562	594
Bulk purchases	22,564	28,427	29,909	26,524	26,524	26,524	26,524	27,154	27,792	28,446
Other materials	7,394	-	-	54	54	54	54	671	709	748
Contracted services	-	7,837	7,543	6,768	9,268	9,268	9,268	5,265	5,565	5,877
Transfers and subsidies	-	-	-	25,856	25,856	25,856	25,856	-	-	-
Other expenditure	75,670	46,295	60,861	21,337	49,384	49,384	49,384	70,535	74,259	77,127
Loss on disposal of PPE										
Total Expenditure	193,385	197,563	215,484	158,059	188,634	188,634	188,634	190,588	203,639	211,941
Surplus/(Deficit)	(63,751)	(71,636)	(54,396)	5,530	(9,362)	(9,362)	(9,363)	5,795	8,804	14,949
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	25,178	22,715	20,318		-	-	-	-	-	-
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational	-	-	-	-	-	-	-	-	-	-

Institutions)										
Transfers and subsidies - capital (in-kind - all)										
Surplus/(Deficit) after capital transfers & contributions	(38,574)	(48,921)	(34,078)	5,530	(9,362)	(9,362)	(9,363)	5,795	8,804	14,949
Taxation										
Surplus/(Deficit) after taxation	(38,574)	(48,921)	(34,078)	5,530	(9,362)	(9,362)	(9,363)	5,795	8,804	14,949
Attributable to minorities										
Surplus/(Deficit) attributable to municipality	(38,574)	(48,921)	(34,078)	5,530	(9,362)	(9,362)	(9,363)	5,795	8,804	14,949
Share of surplus/ (deficit) of associate										
Surplus/(Deficit) for the year	(38,574)	(48,921)	(34,078)	5,530	(9,362)	(9,362)	(9,363)	5,795	8,804	14,949

Vote Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Capital expenditure - Vote										
<u>Multi-year expenditure to be appropriated</u>										
Vote 1 - Governance and Administration	-	-	-	-	-	-	-	-	-	-
Vote 2 - Corporate Services	209	-	-	-	-	-	-	-	-	-
Vote 3 - Finance and Administration	-	-	-	-	-	-	-	-	-	-
Vote 4 - Public Safety	-	-	-	-	-	-	-	-	-	-
Vote 5 - Planning and Economic Development	-	-	-	-	-	-	-	-	-	-
Vote 6 - Community and Social Services	-	-	-	-	-	-	-	-	-	-
Vote 7 - Sports and Recreation	-	-	-	-	-	-	-	-	-	-
Vote 8 - Housing	-	-	-	-	-	-	-	-	-	-
Vote 9 - Environmental Management	-	-	-	-	-	-	-	-	-	-
Vote 10 - Roads and Transport	-	-	-	-	-	-	-	-	-	-
Vote 11 - Electricity	-	-	-	-	-	-	-	-	-	-
Vote 12 - Waste Water Management(Sanitation)	-	-	-	-	-	-	-	-	-	-
Vote 13 - Water	-	-	-	-	-	-	-	-	-	-
Vote 14 - Solid Waste Management(Refuse)	-	-	-	-	-	-	-	-	-	-
0	-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	209	-	-	-	-	-	-	-	-	-
<u>Single-year expenditure to be appropriated</u>										
Vote 1 - Governance and Administration	-	-	-	-	-	-	-	-	-	-
Vote 2 - Corporate Services	-	-	-	3,500	3,500	3,500	3,500	-	-	-
Vote 3 - Finance and Administration	-	-	-	-	-	-	-	-	-	-
Vote 4 - Public Safety	-	-	-	-	-	-	-	-	-	-
Vote 5 - Planning and Economic Development	-	-	-	-	-	-	-	-	-	-
Vote 6 - Community and Social Services	22,311	2,460	1,825	-	-	-	-	-	-	-
Vote 7 - Sports and Recreation	-	-	-	-	-	-	-	7,500	10,000	11,000
Vote 8 - Housing	-	-	-	-	-	-	-	-	-	-
Vote 9 - Environmental Management	-	-	-	-	-	-	-	-	-	-
Vote 10 - Roads and Transport	41,356	35,631	48,677	17,969	17,969	17,969	17,969	5,926	13,000	14,000
Vote 11 - Electricity	-	-	-	3,800	3,800	3,800	3,800	-	-	-
Vote 12 - Waste Water Management(Sanitation)	-	-	-	-	-	-	-	-	-	30,000
Vote 13 - Water	-	-	-	9,500	9,500	9,500	9,500	29,850	25,000	-
Vote 14 - Solid Waste Management(Refuse)	-	-	-	-	-	-	-	-	-	-
0	-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total	63,666	38,090	50,503	34,769	34,769	34,769	34,769	43,276	48,000	55,000
Total Capital Expenditure - Vote	63,876	38,090	50,503	34,769	34,769	34,769	34,769	43,276	48,000	55,000
<u>Capital Expenditure - Functional</u>										
<i>Governance and administration</i>	209	-	-	3,500	3,500	3,500	3,500	-	-	-
Executive and council				3,500	3,500	3,500	3,500			
Finance and administration	209									
Internal audit										
<i>Community and public safety</i>	22,311	-	-	-	-	-	-	7,500	10,000	11,000

Community and social services	22,311									
Sport and recreation								7,500	10,000	11,000
Public safety										
Housing										
Health										
<i>Economic and environmental services</i>	41,356	35,631	48,677	17,969	17,969	17,969	17,969	5,926	13,000	14,000
Planning and development										
Road transport	41,356	35,631	48,677	17,969	17,969	17,969	17,969	5,926	13,000	14,000
Environmental protection										
<i>Trading services</i>	-	-	-	13,300	13,300	13,300	13,300	29,850	25,000	30,000
Energy sources				3,800	3,800	3,800	3,800			
Water management				9,500	9,500	9,500	9,500	29,850	25,000	
Waste water management										30,000
Waste management										
<i>Other</i>		2,460	1,825							
Total Capital Expenditure - Functional	63,876	38,090	50,503	34,769	34,769	34,769	34,769	43,276	48,000	55,000
<u>Funded by:</u>										
National Government	63,666	35,631	48,677	31,269	31,269	31,269	31,269	43,276	48,000	55,000
Provincial Government										
District Municipality										
Other transfers and grants										
Transfers recognised - capital	63,666	35,631	48,677	31,269	31,269	31,269	31,269	43,276	48,000	55,000
Public contributions & donations										
Borrowing										
Internally generated funds	209	2,460	1,825	3,500	3,500	3,500	3,500			
Total Capital Funding	63,876	38,090	50,503	34,769	34,769	34,769	34,769	43,276	48,000	55,000

Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
ASSETS										
Current assets										
Cash	829	1,913	3,487	5,200	5,200	5,200	5,200	–		
Call investment deposits	541	–	–	6,500	6,500	6,500	6,500	–	–	–
Consumer debtors	14,737	10,878	15,579	80,984	80,984	80,984	80,984	–	–	–
Other debtors	7,318	22,081	28,258							
Current portion of long-term receivables										
Inventory	47,509	51,469	51,314	47,239	47,239	47,239	47,239			
Total current assets	70,933	86,340	98,639	139,923	139,923	139,923	139,923	–	–	–
Non current assets										
Long-term receivables	–									
Investments	–	–	–							
Investment property	21,691	35,599	35,599	17,410		17,410	17,410	–		
Investment in Associate	–									
Property, plant and equipment	447,897	582,202	565,843	364,678	–	364,678	364,678	–	–	–
Agricultural	–									
Biological	–									
Intangible	–									
Other non-current assets	21	22	24							
Total non current assets	469,609	617,824	601,465	382,087	–	382,087	382,087	–	–	–
TOTAL ASSETS	540,542	704,164	700,104	522,010	–	522,010	522,010	–	–	–
LIABILITIES										
Current liabilities										
Bank overdraft										
Borrowing	2,205	–	–	–	–	–	–	–	–	–
Consumer deposits	1,723	1,810	1,909							
Trade and other payables	67,662	99,015	126,763	60,625	–	60,625	60,625	–	–	–
Provisions	15,295	17,139	18,271							
Total current liabilities	86,885	117,964	146,944	60,625	–	60,625	60,625	–	–	–
Non current liabilities										
Borrowing	–	–	–	–	–	–	–	–	–	–
Provisions	15,002	15,354	16,356	16,500	–	16,500	16,500	–	–	–
Total non current liabilities	15,002	15,354	16,356	16,500	–	16,500	16,500	–	–	–
TOTAL LIABILITIES	101,887	133,318	163,300	77,125	–	77,125	77,125	–	–	–
NET ASSETS	438,655	570,845	536,804	444,885	–	444,885	444,885	–	–	–
COMMUNITY WEALTH/EQUITY										
Accumulated Surplus/(Deficit)	475,557	606,489	571,773	482,007		482,007	482,007			
Reserves	(36,901)	(35,643)	(34,969)	(37,122)	–	(37,122)	(37,122)	–	–	–
TOTAL COMMUNITY WEALTH/EQUITY	438,655	570,845	536,804	444,885	–	444,885	444,885	–	–	–

PART 2

CHAPTER 3: OVERVIEW OF THE ANNUAL BUDGET PROCESS

PART 2: Supporting documentation

Disclosure on implementation of the MFMA & other applicable legislation

Municipal Finance Management Act – No 56 of 2003

The MFMA became effective on 1st July 2004. The Act aims to modernise budget and financial management practices within the overall objective of maximising the capacity of municipalities to deliver services.

The MFMA covers all aspects of municipal finance including budgeting, supply chain management and financial reporting.

The various sections of the Act are phased in according to the designated financial management capacity of municipalities. Kgetlengrivier has been designated as a low capacity municipality. The MFMA is the foundation of the municipal financial management reforms which municipalities are implementing.

The MFMA and the budget

The following explains the budgeting process in terms of the requirements in the MFMA. It is based on National Treasury's guide to the MFMA.

The budget preparation process

Overview

A central element of the reforms is a change to the way that municipalities prepare their budgets.

The MFMA requires a council to adopt three-year capital and operating budgets that take into account, and are linked to, the municipality's current and future development priorities (as contained in the IDP) and other finance-related policies (such as those relating to free basic service provision).

These budgets must clearly set out revenue by source and expenditure by vote over three years and must be accompanied by performance objectives for revenue and expenditure, a cash flow statement and particulars on borrowing, investments, municipal entities and service delivery agreements, grant allocations and details of employment costs.

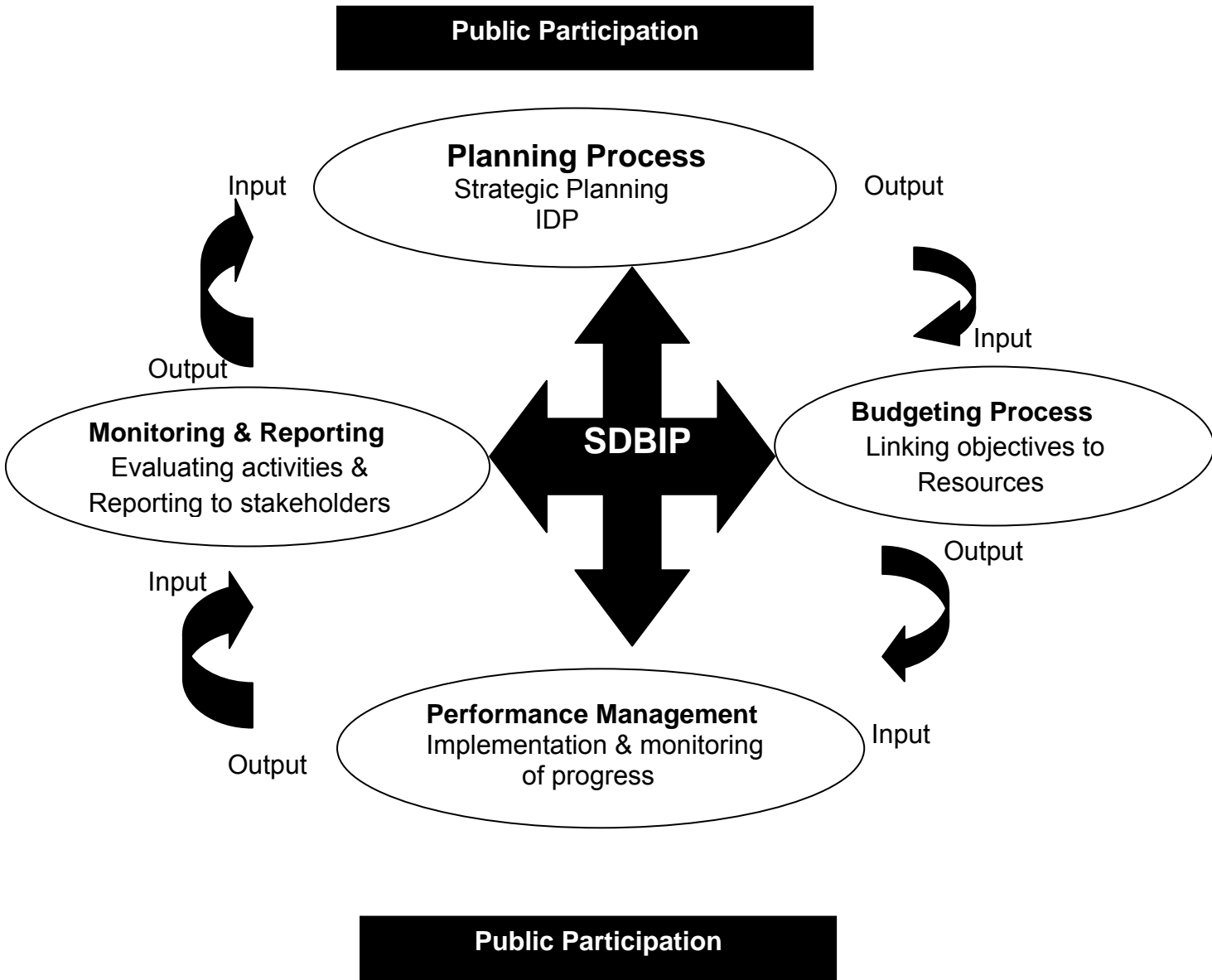
The budget may be funded only from reasonable estimates of revenue and cash backed surplus funds from the previous year and borrowings (the latter for capital items only).

Budget preparation timetable

The first step in the budget preparation process is to develop a timetable of all key deadlines relating to the budget and to review the municipality’s IDP and budget related policies.

The budget preparation timetable should be prepared by senior management and tabled by the mayor for council adoption ten months before the commencement of the next budget year.




The next diagram depicts the planning, implementation and monitoring process that is followed in Kgetlengrivier Local Municipality.



In terms of Section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year a time schedule of key deadlines that sets out the process to revise the IDP and prepare the budget.

Table – Schedule of Key Deadlines relating to the budget process

DELIVERABLE AND PROCESS MANAGEMENT	RESPONSIBILITY	OUTPUT	DATE
PREPARATION PHASE			
Development of IDP & Budget Time Schedule including internal consultations with key stakeholders	IDP & Budget Office	Approved IDP and Budget Time Schedule	July- August 2016
District IDP Managers' Forum: Working Sessions on uniform guidelines for IDP Review	IDP Office		July - August 2016
COUNCIL MEETING: Adoption of the 2017/2018 IDP & Budget Time Schedule	Council		August 2016
Advertise/ make public the adopted 2017/2018 IDP & Budget Time Schedule	IDP Office		September 2016
Submit the adopted 2017/2018 IDP & Budget Time Schedule to the MEC for Local Government	IDP Office		September 2016
Provincial Delivery Plan engagements	NWP Government, IDP Office, MM and All Directors		October 2016
ANALYSIS PHASE			
First round of public participation in all of the 8 wards: 🚦 To provide feedback on progress made on existing projects and share information on future projects; and 🚦 To afford the communities an opportunity to engage with the Municipality on matters pertaining to service delivery	IDP Office & Executive Mayor	Determine and assess the current level of development and the emerging challenges, opportunities and priority issues	October 2016
Prepare a report on the outcomes of the public participation process and present it to the IDP and Budget Steering Committee and submit same to the provincial department of Local Government	IDP Office		November 2016
District IDP Managers' Forum	IDP Office		November 2016
Reconstitute the IDP and Budget Steering Committee	Mayor/Speaker		November 2016
Produce an updated situational analysis Chapter of the IDP (informed by new trends, sources of information and new information from Directorates)	IDP Office		November 2016 – January 2017
STRATEGY PHASE			
IDP and Budget Steering Committee: Directors present priority issues/proposed projects	IDP& Budget Steering Committee		February 2017
Mid-year budget and performance assessment visits	IDP Office, MM and All Directors		February – March 2017

DELIVERABLE AND PROCESS MANAGEMENT	RESPONSIBILITY	OUTPUT	DATE
Finalise preparations for the Provincial IDP Indaba 2 I	IDP Office, MM and All Directors	Develop objectives for priority issues and determine programmes to achieve strategic intent	February 2017
Produce and outline Budget strategy with high level estimates	Budget Office		February 2017
Review tariffs and budget policies	CFO		February - May 2017
District IDP Managers’ Forum: Focusing on the finalisation of all of the municipalities’ draft IDPs	IDP Office		February 2017
Review / confirm the Municipal Vision, Mission, Strategic Goals and Values	IDP& Budget Steering Committee		February 2017
PROJECT PHASE			
Addressing joint implementation of projects informed by Municipal and Provincial planning processes	Sector Departments, IDP Office, MM and All Directors	Identify projects and set output, targets	February 2017
Finalisation of the draft IDP and Budget	IDP/Budget Office		February – March 2017
Co-ordinate the development of draft 2016/17 SDBIP	IDP/Budget Office		March 2017
INTEGRATION PHASE			
Integration of sector plans and institutional programmes	IDP Office, MM and All Directors	Incorporate programmes and projects in the IDP	March 2017
APPROVAL PHASE			
Tabling of the Draft IDP and Budget in Council	Executive Mayor	Approved IDP, budget and Service Delivery and Budget Implementation Plan	March 2017
Submission of draft IDP and budget to relevant institutions	IDP/Budget Office/MM		April 2017
Budget and Benchmark Assessments	IDP Office, MM and All Directors		April – May 2017
Second round of public participation:  Invite public comments on Draft IDP and Budget including Road shows in all of the 8 wards;  To provide feedback on current and future IDP projects as proposed by communities; and  To create an opportunity for inputs on key highlights & proposals from the Draft Budget	ALL		April/May2017

DELIVERABLE AND PROCESS MANAGEMENT	RESPONSIBILITY	OUTPUT	DATE
District IDP Managers' Forum	IDP Office		May 2017
Council meeting to adopt final IDP, Budget and Budget Related Policies	Council		May 2017
Submission of Final IDP and budget to relevant institutions	IDP/Budget Office/MM		May/June 2017
Approved IDP and Budget made public	IDP/Budget Office		June 2017
Finalisation and submission of draft 2017/18 SDBIP and annual performance agreement by Municipal Manager to the Executive Mayor.	MM	Approved SDBIP and annual performance agreements	June/July 2017
Executive Mayor approves the 2017/18 SDBIP and annual performance agreements of the Municipal Manager and Senior Managers within 28 days after the approval of the IDP and budget.	Mayor		June/July 2017
Submit the approved SDBIP and performance agreements to MEC Local Government within 14 days after approval	MM/ IDP/Budget Office		July/August 2017
MONITORING AND EVALUATION PHASE			
Commence with the compilation of the Annual Report 2016/2017	IDP Office & Directorates	Compile annual report	July 2017 - March 2018
Quarterly SDBIP performance progress report for first quarter of 2017/18 to Council	IDP/Budget Office	SDBIP performance report noted	October 2017
Section 56/57 Managers' half-yearly evaluations for 2017/18	MM & Mayor	Performance evaluated	January- March 2018
Mid-year budget and performance assessment MFMA Section 72 (1)(2)(3)	MM/ IDP/Budget Office	Mid-Term finance and service delivery performance report compliant to MFMA	January 2018
Executive Mayor tables the Annual Report 2016/2017 MFMA Section 127 (2)	Mayor	Annual Report 2016/2017 tabled	January 2018

DELIVERABLE AND PROCESS MANAGEMENT	RESPONSIBILITY	OUTPUT	DATE
Executive Mayor tables adjustments budget for approval by Council MFMA Section 28	Mayor	Approve 2017/2018 adjustments budget	February 2018
Annual Report and adjustments budget made public (invite public inputs on the Annual Report - MFMA 127 & MSA section 21A)	MM	Annual report and adjustments budget made public	February/March 2018
Council adopts Annual & Oversight Report by 31 March MFMA Section 129(1)	MM & Mayor	Oversight report approved	March 2018
Adopted Annual Report including Oversight Report made public within seven days of adoption MFMA Section 129(3) & MSA Section 21A	MM		April 2018
Within seven days of adoption of Annual & Oversight Report submit to Provincial Legislature and relevant MECs	MM		April 2018
Quarterly SDBIP performance progress report for third quarter of 2017/2018 to Council	IDP/Budget Office	SDBIP performance report noted	April 2018
Quarterly SDBIP performance progress report for fourth quarter of 2017/2018 to Council	IDP/Budget Office	SDBIP performance report noted	July 2018
Section 56/57 Managers' Annual Performance Evaluations for 2017/2018	MM & Mayor	Performance evaluated	July- September 2018

Tabling of the draft budget

The initial draft budget must be tabled by the mayor before council for review by 31 March.

Once tabled at council, the municipal manager must make public the appropriate budget documentation and submit it to both the national and the relevant provincial treasury and any other government departments as required. At this time, the local community must be invited to submit representations on what is contained in the budget.

The municipal budget was tabled before Council on 31 March 2017.

Consultation with the community and key stakeholders

When the draft budget is tabled, council must consider the views of the local community, the national and the relevant provincial treasury and other municipalities and government departments that may have made submissions on the budget.

The consultation with National and Provincial Treasuries regarding the MTREF is to take place during April and May 2017.

An extensive public participation process was conducted as part of the IDP and Budget Road shows. The overall objective of this road show is to ensure an authentic and inclusive public participation process for the IDP and budget. A complete report regarding the feedback on the public participation process is included in the Final IDP document.

Service Delivery and Budget Implementation Plan (SDBIP)

The municipal manager must within fourteen days after the approval of the annual budget submit to the mayor for approval a draft service delivery and budget implementation plan and draft annual performance agreements for all pertinent senior staff.

A service delivery and budget implementation plan is a detailed plan for implementing the delivery of municipal services contemplated in the annual budget and should indicate monthly revenue and expenditure projections and quarterly service delivery targets and performance indicators.

The mayor must approve the draft service delivery and budget implementation plan within 28 days of the approval of the annual budget.

This plan must then be monitored by the mayor and reported on to council on a regular basis. The municipal manager is responsible for implementation of the budget and must take steps to ensure that all spending is in accordance with the budget and that revenue and expenditure are properly monitored.

Generally, councils may incur expenditure only if it is in terms of the budget, within the limits of the amounts appropriated against each budget vote – and in the case of capital expenditure, only if council has approved the project. Expenditure incurred outside of these parameters may be considered to be unauthorised or, in some cases, irregular or fruitless and wasteful.

CHAPTER 4:

OVERVIEW OF ALIGNMENT OF THE ANNUAL BUDGET

Alignment of Annual Budget with IDP

Local priorities were identified as part of the IDP process which is directly aligned to that of national and provincial priorities.

The IDP strategic objectives and goals are set out in the IDP document.

Kgetlengrivier is a municipality for all reasons and this along with the strategic vision and mission has led to the conceptualisation of five strategic goals.

These strategic goals are set to become the catalysts to ensure that the vision and mission is achieved in the next five years.

The municipality's IDP contains the medium-term focus areas for development. These focus areas set the agenda for resource planning and allocation over the medium term.

Council has set the following priorities:

- ✚ A safe, clean and green municipality;
- ✚ A well-governed and managed municipality;
- ✚ Housing and services; and
- ✚ Economic growth and job creation.
- ✚ Deliver more and better services in a caring and efficient manner;
- ✚ Hold political office bearers and public servants accountable;
- ✚ Shift resources to new priorities;
- ✚ Move from debate to effective implementation and decisive action; and
- ✚ Work in partnership with communities, labour and business to achieve our shared objectives.

The 2017/8 budget continues to address the following IDP interventions:

Local Economic Development

- ✚ A budget of **R 4.3 million** from EPWP and own funding has been allocated for L.E.D projects and SMME development and career exhibition expo have also been planned.
- ✚ In the 2017/18 financial year, Kgetlengrivier Municipality intends to:
 - ✚ Resuscitate L.E.D projects that were previously initiated.
- ✚ Encourage small businesses, women and youth to form cooperatives.
- ✚ Implement its LED Strategy effectively in the 2017/18 financial years, through initiating ward based projects throughout the Municipality.
- ✚ Exploit all possibilities to source funds from Development Finance Institutions such as DTI, NDA, Mines, Donors, etc and big businesses on behalf of promising SMMEs in the Municipality.

- ✚ Build enough institutional capacity to establish effective Tourism, Agriculture and LED forums.
- ✚ Insist on encouraging the Municipality to register all its infrastructure development projects with EPWP from which general public can participate, learn while also building enough capacity to create new entrepreneurs.
- ✚ Request assistance from institutions such as CIDB, NHBRC and SEDA to train emerging contractors in construction and facilitate their accreditation.
- ✚ Develop an Investment Incentive Scheme/Policy so as to attract new investment in the Municipality.
- ✚ Land availability for NGOs and Churches

Infrastructure and Service delivery

This KPA is performed through Technical Services and Community Services Directorates. The municipality renders the following basic services to the residents in the urban areas; Water Provision; Sewerage Disposal; Refuse Removal and Electricity Provision. Other services rendered by the municipality to residents, include; Streets and Storm Water, Parks, Sports and Recreational Facilities; Cemeteries, Libraries, Primary Health Care, Traffic Control, Housing and Town Planning.

Households with access to basic services in Kgetlengrivier as compared to the North West Province (ranking 7 nationally) are depicted in the table below;

	North West	Kgetlengrivier	Backlog
Electricity	78,3%	63,5%	36,5%
Piped water	89,9%	80,8%	19,2%
Full or intermediate sanitation	53,4%	87,5%	12,5%
Refuse removal Services	48,81%	47,5%	52,5%

The 2017/18 MTREF has therefore been directly informed by the IDP.

Refer SA 4 - SA 6 tables provide reconciliation between the IDP strategic objectives and goals.

CHAPTER 5:

MEASURABLE PERFORMANCE

OBJECTIVES AND INDICATORS

CHAPTER 5: MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

Refer to the IDP and Service Delivery and Budget Implementation Plan for measurable performance objectives

CHAPTER 6:

OVERVIEW OF ALIGNMENT OF

THE BUDGET RELATED POLICIES

Overview of budget related policies

The municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

Section 17 (3) (e) of the Municipal Finance Management Act, (Act No 56 of 2003) prescribes that the Municipality must review the budget related policies annually. Herewith follows suggested changes to Council's budget related policies.

The budget committee considered amendments to various policies and the following budget related policies were reviewed:

- Credit control and debt collection policy
- Indigent Policy
- Tariffs Policy
- Property rates policy and By law
- Bad debts write off policy
- Budget control and virement policy

The Budget Committee has indicated that the finalization of the draft policy changes will be finalized after the budget consultation process is completed. The draft policies are contained in the budget document and placed on municipal website for public comment.

Refer to annexure A

CHAPTER 7: TARIFF LIST



KGETLENGRIVIER LOCAL MUNICIPALITY

**PROPOSED TARIFF LIST FOR PROPERTY RATES AND
SERVICE CHARGES**

2017-18

PROPOSED

TARIFF LIST FOR PROPERTY RATES AND SERVICE CHARGES

2017-18 FINANCIAL YEAR

The tariffs summarised for the financial year **1 July 2017 to 30 June 2018** are as follows:

1. PROPERTY RATES				
CATEGORY	Rate as approved by Council 2016/17	increase (6.4%)	Rate as Proposed 2016/17	Exemptions, Reductions & Rebates
Residential	0.00528	0.00033792	0.00561792	A total rebate of R17 000 will be granted on the value of the property (R15 000 impermissible according to the Municipal Property Rates Act plus a further R2 000 according to the municipality's Property Rates Policy)
Business, Commercial and Industrial	0.0127	0.0008128	0.0135128	A maximum of 10% reduction will be given upon submission and approval of the application.
Agricultural	R0.00132	0.00008448	R0.00140	75% of the market value on agriculture property will be phased in as per requirements of MPRA.
State-Owned	R0.0127	0.0008128	R0.0135	
Public Service Infrastructure	R0.001267	0.000081	R0.001348	75% of public service infrastructure property will be phased in as per requirements of MPRA
Undeveloped residential sites	R0.0074	0.0004736	R0.0079	
Undeveloped business sites	R0.0158	R0.0010	R0.0168	

EXEMPTIONS, REDUCTIONS AND REBATES:

Exemptions, Reduction and Rebates will be given to the different categories of properties and owners as follows:

Different categories of properties

Residential properties

All residential properties with a market value of less than the amount as annually determined by the municipality are exempted from paying rates. **For the 2017/2018 financial year the maximum reduction is determined as R17 000.** The impermissible rates of **R15 000** contemplated in terms

of section 17(1) (h) of the Property Rates Act is included in the amount referred to above as annually determined by the municipality.

The **remaining R2 000** is an important part of the council's indigent policy and is aimed primarily at alleviating poverty.

Indigent owners

Owners who qualify and who are registered as indigents in terms of the adopted indigent policy of the municipality, regardless of the value of the property, will receive a 100% rebate from payment of property tax.

Child headed families

Families headed by children with monthly income not exceeding **R3 000** will receive a **100%** rebate for paying property tax.

Retired and Disabled Persons Rate Rebate

Retired and Disabled Persons, not registered as indigents, qualify for special rebates according to monthly household income as follows;

- | | |
|------------------------------|---------------|
| ▪ R0 to R 2400 per month | - 100% rebate |
| ▪ R 2401 to R4 000 per month | - 40% rebate |
| ▪ R4 001 to R5 500 per month | - 15% rebate |
| ▪ R5 501 - | - No rebate |

Business, commercial and industrial properties

The municipality will grant rebates to ratable enterprises that promote local, social and economic development in its area of jurisdiction. Maximum rebate for the 2017-2018 financial year, has been determined at **10%**.

Public Benefit Organizations (PBO's)

Taking into account the effects of rates on PBOs performing a specific public benefit activity and if registered in terms of the Income Tax Act, 1962 (No 58 of 1962) for tax reduction because of those activities, Public Benefit Organizations may apply for the exemption of property rates.

Agricultural property rebate

The municipality will apply the standard ratio for agricultural properties as promulgated by the Minister **1:0.25 (75% rebate** on the tariff for residential properties).

Rebates based on the extent of municipal services provided to agricultural properties will be as follows;

- a. **7.5%** rebate, if there are no municipal roads next to the property
- b. **7.5%** rebate, if there is no municipal sewerage to the property

- c. **7.5%** rebate, if there is no municipal electricity
- d. **20%** rebate, if water is not supplied by the municipality
- e. **7.5%** rebate, if there is no refuse removal that is provided by the municipal

FEES FOR LAND USE APPLICATIONS SUBMITTED IN TERMS OF THE PROPOSED MUNICIPAL SPATIAL PLANNING AND LAND USE BY-LAW FOR THE 2017/2018 FINANCIAL YEAR		TARIFF 17/18
APPLICATION FEES		FEE
TYPE OF APPLICATION		INCL VAT
		R
1	Establishment of a township	6046.58
2	Extension of the boundaries of a township:	6046.58
3	Amendment of a township establishment application:	
(a)	If already approved by the Municipality	6046.58
(b)	If not already approved by the Municipality	3023.34
4	Division of township/ phasing	3023.34
5	Rezoning:	
(a)	One erf	4534.95
(b)	Every erf Additional to the First Erf/Per Erf	2095.23
6	Removal, amendment, suspension of a restrictive or obsolete condition, servitude or reservation against the title of the land	4534.95
7	Division of farm land	126.38
	Subdivision of land:	
(a)	For first five erven	1007.77
(b)	Every erf additional to the first five erven Per erf	149.29
9	Consolidation of land	1007.77
10	Subdivision and consolidation of land	1263.77

11	Permanent closure of a public place Per closure	1362.35
12	Development on communal land	4534.95
13	Consent use	1281.29
14	Temporary use: prospecting rights	4534.95
15	Temporary use: other rights	567.65
16	Material amendments to original application prior to approval/refusal	3183.00
MISCELLANEOUS FEES		
1	Erection of a second dwelling	503.89
2	Relaxation of height restriction	503.89
3	Relaxation of building line	503.89
4	Consideration of site development plan	851.01
5	Extension of validity period of approval	628.26
6	Certificates:	
(a)	Zoning certificate	61.79
(b)	Any other certificate	61.79
7	Site inspection fee	178.24
8	Reason for decision of municipal planning tribunal, land development officer or appeal authority	Free for the first copy and R56.39 thereafter.
9	Re-issuing of any notice of approval of any application	60.18
10	Deed search and copy of the title deed	60.18
11	Public Notice:	
(a)	Public Notice and advertisements in the legal section of the paper	As per Quotation
(b)	Public Notice and advertisements in the body of the paper	As per Quotation
12	Way leave application (application to determine where the Council's services are located or a specific area where new services are to be installed)	567.65

13	Intervener status	1702.94
14	Appeal fees	2838.23
15	Application for Cell phone Mast	3183.00
16	Offence	1362.35
COPIES		
1	Spatial development framework:	A4 per copy 63c
A3 per copy R1.06/		
(a)	Hard copy Per region	
(b)	In electronic format Per region	Colored copy A3 per copy R2.12

NOTES:

- All fees exclude advertising.
- All fees include 14% VAT.
- A further **R3 192,00** is payable on submission of the application for the Municipality to give a promulgation notice of the notice of a township in Government, Gazette, unless the applicant is given permission to place the notices;
- The Principle of joint press notices is accepted although application fees must be paid in full for every application (applications cannot be jointly submitted, i.e. unique amendment scheme number for each application);
- If an application is submitted on Council land on behalf of Council or where Council is the developer/co-developer, no application fees are payable;
- Application fees will only be returned if the application processing has not been initiated. Partial refunds will not be considered; and
- A general principle will still apply that the total fee will still be charged if the applicant is given permission to circulate the application externally.

1. ELECTRICITY

CATEGORY		2016/ 17 NERSA APPROVED	PROPOSED 2017/18	%NERSA INCREASE
DOMESTIC TARIFFS				
<i>Residential Prepaid: Lifeline</i>				
Energy Charge (kwh)	Block 1 (0-50Kwh)	0.89	0.97	9.52%
	Block 2 (51-350kwh)	1.13	1.24	9.52%
	Block 3 (351-600kwh)	1.41	1.54	9.52%
	Block 4 (>600kwh)	1.55	1.70	9.52%
<i>Residential Conventional: Lifeline</i>				
Energy Charge (kwh)	Block 1 (0-50Kwh)	0.91	1.00	9.52%
	Block 2 (51-350kwh)	1.17	1.28	9.52%
	Block 3 (351-600kwh)	1.41	1.54	9.52%
	Block 4 (>600kwh)	1.53	1.68	9.52%
Basic Charge		174.6	191.22	9.52%
COMMERCIAL TARIFFS				
<i>Commercial Prepaid: Lifeline</i>				
Basic Charge (R/m)		313.94	343.83	9.52%
Energy Charge (kwh)		1.84	2.02	9.52%
<i>Commercial conventional Single Phase</i>				
Basic Charge (R/m)		313.94	343.83	9.52%
Energy Charge (kwh)		1.84	2.02	9.52%
Government/Mine town				
Basic Charge (R/m)		349.17	382.41	9.52%
Energy Charge (kwh)		1.56	1.71	9.52%
Municipal		0	0.00	9.52%
Energy Charge (kwh)		2	2.19	9.52%
INDUSTRIAL TARIFFS				
Industrial/Municipal				
Basic Charge (R/m)		1 666.78	1 825.46	9.52%
Energy Charge (kwh)		1.16	1.27	9.52%
Demand Charge (R/kVA)		192.61	210.95	9.52%

2. SEWER

TARIFF DESCRIPTION	APPROVED 2016/17	PROPOSED 2017/18	INCREASE CPI %
Sewer Basic: Governmental	162.72	173.13	6.40%
Sewer Basic: Residential	32.57	34.65	6.40%
Sewer Basic: Business	195.26	207.76	6.40%
Sewer Basic: Empty Stand	39.07	41.57	6.40%
Sewer Usage: Suctions Business	77.41	82.36	6.40%
Sewer Basic: Per Living Unit	39.06	41.56	6.40%
Sewer Basic: Hospital	2 607.52	2 774.40	6.40%
Sewer Basic: Institutions	1952.77	2 077.75	6.40%
Sewer: Residential	13.05	13.89	6.40%
Sewer: Business	162.72	173.13	6.40%
Sewer Usage: Suctions Residential	52.11	55.45	6.40%
Sewer: Bucket	32.59	34.68	6.40%
Sewer: Per Living Unit	13.05	13.89	6.40%
Sewer: Hospital	1627.01	1 731.14	6.40%
Sewer: Institutions	976.21	1 038.69	6.40%
Sewer: Business Low water usage	32.84	34.94	6.40%
SEWERAGE BUCKET - BUSINESS	45.98	48.92	6.40%
Sewer Basic: Business low water usage	98.50	104.80	6.40%
Sewer: USAGE - ABATTOIR & SPOORNET	650.85	692.50	6.40%
Sewer: Basic Station	1301.67	1 384.98	6.40%
Sewer: BASIC - DAY CARE CENTRE	65.08	69.25	6.40%
Sewer: Usage - DIE UITSPANNING	420.87	447.81	6.40%
Sewer: Basic - DIE UITSPANNING	1050.92	1 118.18	6.40%

3. WATER

TARIFF DESCRIPTION	APPROVED 2016/17	PROPOSED 2017/18	INCREASE CPI %
Water Basic: Residential	15.78	16.79	6.40%
Water Basic: Empty Stand	36.24	38.56	6.40%
Water Basic: Business	22.56	24.00	6.40%
Water: Departmental	2.84	3.02	6.40%
Water: Business	8.26	8.79	6.40%
Water: Residential -6KL Free (Indigents Only)	0.00	0.00	
Water: Old Age Home	8.26	8.79	6.40%
Water: Consumer	8.26	8.79	6.40%

NB: The free R6kl per month per household is ONLY applicable to Indigent Households as per approved indigent register

4. REFUSE REMOVAL

TARIFF DESCRIPTION	APPROVED 2016/17	PROPOSED 2017/18	INCREASE CPI %
Refuse: Residential	32.21	34.27	6.40%
Refuse: Business	48.81	51.93	6.40%

5. MISCELLANEOUS CHARGES

NB: ALL miscellaneous charges shall increase by 6.4%

6. PERCENTAGE INCREASE GUIDELINES

- Consumer Price inflation (CPI) - 6.4%
- Nersa Municipal guideline – 1.88%

CHAPTER 8:

OVERVIEW OF BUDGET ASSUMPTIONS

Budget Assumptions

Budgets are prepared in an environment of uncertainty. To prepare meaningful budgets, assumptions need to be made about internal and external factors that could influence the budget. Documentation of the assumptions used in preparing the budget assists understanding of the information. This section provides a comprehensive summary of all the assumptions used in preparing the budget.

National Treasury MFMA Circular No 85 & 86

These Circulars was issued on 09 December 2016 and 08 March 2017 respectively, and it provides further guidance to municipalities for the preparation of the 2017/18 budget and MTREF and was used in preparing this budget.

Inflation Outlook

In MFMA Circular No 86, inflation forecasts are estimated at 6.5%, 5.7% and 5.6% respectively for the years 2018 to 2020.

Rates, tariffs, charges and timing of revenue collection

The Budget Committee made use of tariff modelling to calculate realistic tariff increases. Although the budget committee endeavoured to contain the increase within the 6.4% upper boundary of the South African Reserve Bank's inflation target, the model indicated that this might not possible. In order to have a funded budget the tariff increases must be above SARB target.

The cash flow statement shows when rates and tariffs are expected to be collected over the financial year. In general terms, the timing of rates, tariffs and charges is based on the following;

Rates	Monthly billing. Interim billing throughout the year
Tariffs	Monthly billing. On-going prepayment meters. Seasonal fluctuations.
Charges	Generally steady state throughout the financial year with seasonal fluctuations.

Collection rates for each revenue source and customer type.

The following bad debt provisions and collection rates are assumed in the MTREF for rates and tariffs.

	2016/17	2017/18	2018/19
Provision for bad and doubtful debts			
Assumed collection rate			
Water	45	55	60
Electricity	85	90	95
Property rates	75	80	85

Sanitation	40	50	60
Refuse Removal	40	50	60
Traffic fines	85	85	85
Interest on outstanding debts	10	20	35

Average salary increases

The MTREF includes the following average percentage increases for wages and salary and for councillors' allowances;

	2017/18	2018/19	2019/20
Councillors	43,274	45,741	48,303
Staff	4,846	5,122	5,409

Industrial relations climate, reorganisation and capacity building

The ability of the Municipality to deliver quality services is virtually entirely dependent on its staff. Failure by the Municipality to invest in its staff to ensure that the capacity and skills exist to meet the challenges being faced by Kgetleng will ultimately mean a failure to deliver services.

The Municipality has made the following amounts available for training over the MTREF period.

	2017/18	2018/19	2019/20
Training budget	780	825	871

Trends in demand for free or subsidised basic services

Kgetlengrivier criteria for supporting free or subsidised basic services are set out in the Indigent Policy. The Government allocates revenue via the Equitable Share grant with the primary aim of assisting municipalities with the costs of providing free or subsidised basic services. Any costs over and above the Equitable Share allocation must be paid by the consumer.

Description	2016/17 (R)	2017/18 (R)
Electricity (70 units)	67.80	86.80
Water (basic charge)	15.78	16.79
Sanitation (basic charge)	32.57	34.65
Refuse (basic charge)	32.21	34.24
Total	148.36	172.48

Ability of the municipality to spend and deliver on the programmes

By end February 2016, the Municipality has spent R34.3 million out of an adjusted capital budget of R34.3 million, equating to 72% of the total budget. Spending is monitored closely throughout the year and Directors must ensure that capital programmes are supported by robust planning. The Municipality is currently reviewing its capital planning processes and will soon implement the capital rating and ranking programme of Ignite Advisory Service.

The SDBIP includes monthly cash flows of expenditure and is used as the basis for budget monitoring. Monthly Section 71 meetings with portfolio councillor, municipal manager, directors and the budget office also forms part of the monitoring tool and directorates must give reasons for poor performance and over spending and put corrective measures in place.

Service level standards

MFMA circular No. 72 indicated that all municipalities must formulate service level standards which must form part of the 2017/18 tabled MTREF budget and documentation as well as for the subsequent financial years.

A broad guideline was provided on the minimum service standards to be incorporated in the budget documentation. In addition to the guideline, a framework was developed as an outline to assist municipalities in finalising their service level standards.

It is accepted that it is not possible to have the same service level standards across all municipalities. Therefore the outline must be used as a guideline and be amended accordingly to align to the municipality's specific circumstances.

The municipality has complete service level standard document for the whole municipality.

CHAPTER 9: LEGISLATION COMPLIANCE STATUS

CHAPTER 9: LEGISLATION COMPLIANCE STATUS

The promulgation of the Municipal Finance Management Act (The Act) has brought in proficiency and control measures to local government in terms of budgeting, monitoring and accounting on public funds. The Act has had a profound effect on local government operations that required transformation in financial discipline and planning processes.

The budget preparation for 2017/18 to 2019/20 complies with most of these key requirements.

Purpose and quality of MFMA returns

Section 71 Reports

- *Purpose – Status of municipal finance position*
- *Quality – The main challenge relates to reconciliation of accounts and this makes it difficult to provide the information timeously.*

Borrowing Monitoring Return Form

- *Purpose – Status of municipal long debt*
- *Quality – Information provided every quarter is based on confirmed balances in the previous year and payment made during the quarter.*

Budget Evaluation Checklist (Circular 10)

- *Purpose – Progress on compilation of budget*
- *Quality – Information is adequately provided as and when required.*

MFMA 12 Urgent Priorities (Circular 5)

- *Purpose – Implementation of MFMA*
- *Quality – Assessment and evaluation relating to progress made needs to be enhanced.*

Corporate Entities (Circular 5)

- *Purpose – To monitor compliance with S178 (2) of the MFMA*
- *Quality – The municipality does not have entities.*

PPP's (Circular 5)

- *Purpose – To monitor compliance with S178 (2) of the MFMA*
- *Quality – The municipality did not enter into any PPP's.*

Long Term Contracts

- *Purpose – To monitor compliance with S178 (2) of the MFMA*
- *Quality – Information required for this return is provided sufficiently.*

Internal audit and audit committees


-  The municipality has established the **internal audit** unit and is sharing Audit Committee with Bojanala District Municipality.

Risk Plans

The municipality has not performed risk assessment for the 2016-17 financial year.

Implementation of Supply Chain Management

Preferential policy objectives identified to be met through each contract.

-  threshold values contained in the SCM Policy aligned with the values stipulated in regulation

-  Records are kept for the following;

- Written or verbal quotations received and awards made.

- Tenders and all other bids received and awards made.
- Petty Cash purchases

Supply Chain Management Unit has been established and relevant statutory reports are currently compiled.

- ✚ The entire three bid committees have established, are functional but there is lack of capacity.

Tabling of Section 71 Reports in Council

- ✚ Monthly 71 reports are tabled Council

Treasury Guidelines (Gazette dated 9 April 2001)

- ✚ Treasury Guidelines relating to financial management, and budget preparation & implementation are adhered to and this has been included in the budget policy.

Performance agreements

- ✚ Performance agreement was entered into between the Mayor and the Accounting Officer for 2016/17 financial year.
- ✚ Performance agreements were developed and entered into for 2016/17 financial year, and signed by all Section 57 managers.

GRAP Implementation

- ✚ The municipality's financial statements are prepared in accordance with GRAP standards although the AG has issued disclaimer of audit opinion for the three consecutive years. The management has developed an action plan to deal with matters raised in the Auditor General Report.
- ✚ The technical assistance of Provincial Treasury also contributed positively towards the municipality's endeavour to improve the audit opinion and the overall financial administration
- ✚ GRAP compliant Asset Register was prepared by JBFE through assistance from Provincial Treasury.

CHAPTER 10: RESOLUTIONS

CHAPTER 10: RESOLUTIONS

It is recommended;

1. That in terms of section 24 of the Municipal Finance Management Act, 56 of 2003, the draft annual budget of the municipality for the financial year 2017/18; and indicative allocations for the two projected outer years 2018/19 and 2019/20; and the multi-year and single year capital appropriations be approved as set-out in the following tables:
 - 1.1. Budgeted Financial Performance (revenue and expenditure by standard classification);
 - 1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote);
 - 1.3. Budgeted Financial Performance (revenue by source and expenditure by type); and
 - 1.4. Multi-year and single year capital appropriations by municipal vote and standard classification and associated funding by source.
2. That the financial position, cash flow, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets be adopted as set-out in the following tables:
 - 2.1. Budgeted Financial Position;
 - 2.2. Budgeted Cash Flows;
 - 2.3. Cash backed reserves and accumulated surplus reconciliation;
 - 2.4. Asset management; and
 - 2.5. Basic service delivery measurement.
3. That in terms of section 24(2)(c)(i) and (ii) of the Municipal Finance Management Act, 56 of 2003 and sections 74 and 75A of the Local Government: Municipal Systems Act, Act 32 of 2000 as amended, the tariffs for the supply of water, electricity, waste services, sanitation services and property rates that were used to prepare the estimates of revenue by source, be approved with effect from 1 July 2017.
4. That in terms of section 24(2)(c)(iii) of the Municipal Finance Management Act, 56 of 2003, the measurable performance objectives for capital and operating expenditure by vote for each year of the medium term revenue and expenditure framework as set out **Chapter 5** be approved.
5. Community consultation take place to solicit comments of the public on the draft budget.

CHAPTER 11:

DETAILED BUDGET PER DEPARTMENT

CHAPTER 11: DETAIL BUDGETS PER DEPARTMENT

The detailed draft annual budget for the financial year 2017/18; and indicative allocations for the two projected outer years 2018/19 and 2019/20; are as set-out in the Tables 1 to Table 10



**COMPILED BY:
BUDGET AND TREASURY OFFICE**

For Enquiries, contact;

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